

**SOUTHERN COMMUNITY DEVELOPMENT CORPORATION  
NEW ORLEANS, LOUISIANA**

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LEGISLATIVE AUDITOR

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-22-05

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**ASIF GAFUR MBA, MS  
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**SOUTHERN COMMUNITY DEVELOPMENT CORPORATION**  
**(A Non-Profit Corporation)**

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**MEMBER**

*American Institute of Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Southern Community Development Corporation

I have audited the accompanying statement of financial position of Southern Community Development Corporation, hereafter SCDC ( a nonprofit organization), as of June 30, 2004, and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of SCDC's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCDC as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated May 20, 2005, on my consideration of SCDC's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.



Asif Gafur  
Certified Public Accountant

May 20, 2005

**SOUTHERN COMMUNITY DEVELOPMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2004

**Assets**

**Current Assets**

Cash	\$ 6,036
Grants receivable & other (Note 3)	100,792
Deposits	265
Total current assets	<u>107,093</u>

**Property and Equipment**

Equipment	138,470
Furniture	36,085
Less: Accumulated depreciation	<u>(114,317)</u>
Fixed assets, net	60,238
Total assets	<u><u>\$ 167,331</u></u>

**Liabilities and Net Assets**

**Liabilities**

**Current Liabilities**

Accounts payable	\$ 57,329
Accrued liabilities	9,397
Taxes payable and other	60,523
Total current liabilities	<u>127,249</u>

**Net Assets**

Unrestricted	<u>40,082</u>
Total net assets	<u>40,082</u>

<b>Total liabilities and net assets</b>	<u><u>\$ 167,331</u></u>
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The accompanying report and notes are an integral part  
of these financial statements

**SOUTHERN COMMUNITY DEVELOPMENT CORPORATON**  
**STATEMENT OF ACTIVITIES**  
**FOR YEAR ENDED JUNE 30, 2004**

	<u><b>Unrestricted</b></u>
Support and revenue	
Support	
Grants	<u>\$ 1,069,905</u>
Total support	<u>1,069,905</u>
Revenue	
Rent	15,834
Other	<u>1,968</u>
Total revenue	<u>17,802</u>
Total support and revenue	<u>1,087,707</u>
Expenses	
Program services	
Therapeutic and medical	249,504
Community assistance	<u>633,579</u>
Total program services	<u>883,083</u>
Supporting services	
Management and general	160,570
Facility and household	84,972
Dietary	<u>25,872</u>
Total supporting services	271,414
Total expenses	<u>1,154,497</u>
Change in net assets	(66,790)
Net assets July 1, 2003	<u>106,872</u>
Net assets June 30, 2004	<u><u>\$ 40,082</u></u>

The accompanying report and notes are an integral part  
of these financial statements

**SOUTHERN COMMUNITY DEVELOPMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	Program Services		Supporting Services				Total (Memo Only)
	Therapy & Medical	Community Assistance	Total	Management & General	Facility & Household	Dietary	
Salaries	\$ 217,877	\$ 260,532	\$ 478,409	\$ 65,117	\$ -	\$ 10,481	\$ 554,007
Fringe Benefits & P/R Taxes	25,892	46,806	72,698	5,883	-	637	79,218
Automobile	24	136	160	521	887	-	1,568
Bank and Other Charges	-	-	-	5,773	5	-	5,778
Client Allowances	2,960	-	2,960	-	-	-	2,960
Dues & Subscription	-	-	-	-	-	-	-
Depreciation	-	11,507	11,507	19,829	-	-	31,336
Education & Training	980	-	980	-	-	-	979
Interest	-	968	968	5,478	-	-	6,446
Insurance	-	-	-	65	(3,231)	-	(3,166)
Licenses & Permits	45	733	778	-	858	-	1,636
Other	-	5,090	5,090	-	-	-	5,090
Postage	-	84	84	1,578	-	-	1,662
Printing	-	4,542	4,542	-	-	-	4,542
Professional Fees	69	48,635	48,704	40,067	-	-	88,771
Rental	-	60,766	60,766	7,500	26,565	-	94,831
Repairs & Maintenance	-	5,532	5,532	-	38,311	-	43,843
Seminars/Rallies/Comm. Svs	-	57,587	57,587	-	-	-	57,587
Supplies	1,527	25,968	27,495	5,408	3,505	14,754	51,162
Telephone	130	5,354	5,484	3,351	3,443	-	12,278
Tutors	-	99,339	99,339	-	-	-	99,339
Utilities	-	-	-	-	14,629	-	14,629
<b>TOTAL EXPENSES</b>	<b>\$ 249,504</b>	<b>\$ 633,579</b>	<b>\$ 883,083</b>	<b>\$ 160,570</b>	<b>\$ 84,972</b>	<b>\$ 25,872</b>	<b>\$ 1,154,497</b>

The accompanying report and notes are an integral part  
of these financial statements

**SOUTHERN COMMUNITY DEVELOPMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR YEAR ENDED JUNE 30, 2004**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Decrease in net assets	\$ (66,790)
Adjustments to reconcile change in net cash provided by operating activities:	
Depreciation	31,335
Changes in Assets and Liabilities	
Decrease (increase) in:	
Grants receivable and other	55,403
Deposits	993
Increase (decrease) in	
Accounts payable	(83,885)
Taxes payable and other	3,225
Accrued liabilities	<u>(1,625)</u>
Net cash used by operating activities	(61,344)
Decrease in cash	(61,344)
Cash, beginning of year	<u>67,380</u>
Cash, end of period	<u><u>\$ 6,036</u></u>

The accompanying report and notes are an integral part  
of these financial statements

## **SOUTHERN COMMUNITY DEVELOPMENT CORPORATION**

### **Notes to Financial Statements**

June 30, 2004

#### **Note 1:**

#### **Background and General Data**

Southern Community Development Corporation, hereafter SCDC, is a non-profit, community based, social service organization that has been in existence since 1980.

SCDC provides social services to the residents of the economically depressed area which is known as the "Lower Ninth Ward" of New Orleans.

The Lower Ninth Ward, a community of about 35,000 residents, is bounded by the Industrial Canal on the west, the St. Bernard Parish line on the east, Florida Avenue on the south and the Mississippi River on the north. Although there is 58% home ownership, most people in this district are poor and desperately need the services provided by SCDC.

During the year ended June 30, 2004, SCDC operated the following governmentally funded programs:

#### **1. Shelter Care Assistance Program**

A center for 12 pre-adjudicated offenders. This program is state funded through the Louisiana Department of Safety and Corrections.

#### **2. Thompson House**

A group home to provide residence for six mentally ill adult males. This program is state funded through the Louisiana Department of Health and Hospitals. This program was discontinued during the fiscal year ended June 30, 2004.

#### **3. Norman House**

A group home to provide residence for six mentally ill adult males. This program is state funded through the Louisiana Department of Health and Hospitals. This program was discontinued during the fiscal year ended June 30, 2004.



# **SOUTHERN COMMUNITY DEVELOPMENT CORPORATION**

Notes to Financial Statements

June 30, 2004

**Note 1:**

## **Background and General Data, Cont'd**

### **4. Community Assistance Program**

This program, funded by state funds through the Louisiana State Governor's Office of Urban Affairs and Development, serves as an information clearing house by disseminating information to community residents regarding health care, housing, jobs, and other community related needs. This program was discontinued during the fiscal year ended June 30, 2004.

### **5. New Orleans Retail Training Institute Program**

This program, funded by state funds through the Louisiana Department of Economic Development, provides training to employees for promoting small business growth. This program was discontinued after June 30, 2004.

### **6. After School Tutorial Program**

This program funded by Federal TANF funds through the Louisiana Department of Education provides an after-school tutorial program for two hundred elementary students during the academic school year. At the end of the school term the program operates a computer-training program.

## **SOUTHERN COMMUNITY DEVELOPMENT CORPORATION**

### **Notes to Financial Statements**

**June 30, 2004**

#### **Note 2:**

#### **Summary of Significant Accounting Principles**

##### **1. Principles of Accounting**

The financial statements of Southern Community Development Corporation (SCDC) are prepared in accordance with generally accepted accounting principles, accordingly, all assets, liabilities, and activities are stated on the accrual basis of accounting.

SCDC is an exempt organization for federal income tax purposes under section 501(c)(4) of the Internal Revenue Code.

SCDC adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, SCDC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, SCDC is required to present a statement of cash flows.

In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions. At June 30, 2004, there were no unconditional promises to give required to be recognized under SFAS No. 116.

##### **2. Estimated**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

##### **3. Fixed Assets**

Prior to fiscal year ending June 30, 1993, fixed assets required to be capitalized were expensed. The fair value and depreciation of these assets were not material, and were not included in the financial statements.

**SOUTHERN COMMUNITY DEVELOPMENT CORPORATION**  
Notes to Financial Statements  
June 30, 2004

**Note 2:**

**Summary of Significant Accounting Principles, Cont'd**

**3. Fixed Assets, Cont'd**

Under contractual agreement with the various grantors, certain fixed assets purchased and utilized by the corporation revert to the various grantors upon termination of the contracts.

Therefore, these fixed assets are charged to expense upon purchase and no depreciation has been provided. For the fiscal year ended June 30, 2004, no fixed assets were expensed.

Other fixed assets are recorded at cost and depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets. The depreciation expense for the year was \$31,335.

**4. Total Columns**

Total columns are captioned "Memorandum Only" to indicate to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Also, such data is not comparable to a consolidation.

**5. Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

# **SOUTHERN COMMUNITY DEVELOPMENT CORPORATION**

## **Notes to Financial Statements**

June 30, 2004

### **Note 2:**

### **Summary of Significant Accounting Principles, Cont'd**

#### **6. Vacation and Sick Leave**

SCDC employees earn three hours of vacation time and four hours of sick leave each pay period. Vacation leave earned and not taken by the end of the fiscal year are not carried forward to another year. Consequently, the accounts do not reflect any accruals. Additionally, sick leave is not accrued, since the amounts cannot be ascertained with certainty.

### **Note 3:**

### **Grants Receivable**

It consisted of amounts due from grantors at June 30, 2004. Grants receivable for the various programs for the fiscal year ended June 30, 2004 were as follows:

<b><u>Program</u></b>	<b><u>Amount</u></b>
New Orleans Retail Training Institute	\$ 37,078
SCAP	24,546
After School Tutorial	<u>35,343</u>
Total	\$ <u>99,967</u>

### **Note 4:**

### **Leasing Arrangement**

The corporation leases the majority of the rented buildings from Ninth Ward Housing Development Corporation. All leases of the corporation are operating leases for a period of one year with renewal options. These leases have been consistently renewed since 1980.

**SOUTHERN COMMUNITY DEVELOPMENT CORPORATION**

**Notes to Financial Statements**

June 30, 2004

**Note 4:                    Leasing Arrangement, Cont'd**

SCDC rental expense to Ninth Ward Housing Development Corporation was \$ 39,000 for the year ended June 30, 2004.

Total rental expense for the fiscal year ended June 30, 2004 was \$ 94,831.

**Note 5:                    Interprogram Balances**

SCDC interprogram receivable and payable balances are as follows as of June 30, 2004:

<u>Program</u>	<u>Rec. (Pay)</u>
Thompson House	\$ 14,642
Norman House	(31,319)
SCAP	(98,217)
Administrative and Youth Drug and Crime Prevention	27,438
Community Assistance	48,315
Homework Assistance	1,385
New Orleans Retail Training Institute	20,456
Economic Development	( 9,877)
After School Tutorial	37,256
Teen Pregnancy Prevention	(14,505)
General	<u>4,426</u>
Total	\$ <u>-0-</u>

**SOUTHERN COMMUNITY DEVELOPMENT CORPORATION**  
Notes to Financial Statements  
June 30, 2004

**Note 6:**                    **Program Support**

Grant revenues for the various programs for the fiscal year ended June 30, 2004 were as follows:

<u>Program</u>	<u>Amount</u>
Norman House	\$ 61,404
Thompson House	59,323
Community Assistance	227,750
SCAP	250,300
New Orleans Retail Training Institute	249,999
After School Tutorial Program	<u>220,429</u>
Total	<u>\$ 1,069,905</u>

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**MEMBER**

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Southern Community Development Corporation

I have audited the financial statements of Southern Community Development Corporation, hereafter SCDC, (a nonprofit corporation), as of and for the year ended June 30, 2004 and have issued my report thereon dated May 20, 2005 I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether SCDC's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government of Auditing Standards and which are described in the accompanying schedule of findings and questioned costs.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered SCDC's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect SCDC's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Board of Directors, management, State of Louisiana, state awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Asif Gafur  
Certified Public Accountant

May 20, 2005



**SOUTHERN COMMUNITY DEVELOPMENT CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2004**

**All Programs**

**Account Balances**

1. **Reportable Condition - Inaccurate Account Balances**

I noted instances of various account balances that were not correct. Trial balances should be reviewed, periodically, for accuracy of account balances.

**Management Corrective Action Plan**

Management has hired a qualified accountant to assist in performing accounting tasks, and ensure the accuracy of account balances.

**Completion of Audit of the Financial Statement**

2. **Reportable Condition – Completion of Audit of the Financial Statement**

The audit was not completed within a six-month period of the close of the fiscal year as required by state law. The situation may have resulted from SCDC converting from one accounting software to another and reduction of Accounting Staff resulting from discontinuance of existing programs.

To meet the challenges of the current world of technology, SCDC Board of Directors decided to implement new accounting software to process the financial data. This program as compared to the existing software would provide better and efficient financial information to make sound financial decision. In addition, there was discontinuance of programs resulting in reduced funding and involuntary termination of Accounting staff.

**Management Corrective Action Plan**

Management, has hired a part-time qualified accountant to administer the processing of Accounting information so as to meet the State law requirement that audit be completed within a six month period of the close of the fiscal year.

**SOUTHERN COMMUNITY DEVELOPMENT CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR YEAR ENDED JUNE 30, 2004**

**All Programs**

**Account Balances**

1. **Reportable Condition – Inaccurate Account Balances**

Instances of various account balances not correct.

**Current Status**

An accountant has been hired to resolve the inaccuracy of account balances.

**Payroll Taxes**

2. **Reportable Condition-Payroll Taxes**

Payroll taxes incurred were not deposited in a timely manner.

**Current Status**

Presently, payroll taxes are paid as incurred. However, prior periods payroll taxes are still outstanding.